

August 6, 2007

Dear ND Lender:

During the last year BND has been working on a number of loan program changes and legislative changes to better meet the needs of North Dakota citizens and our lending partners. Following is a brief description of the changes:

AG LOAN PROGRAMS:

Ag PACE: Eligibility was expanded to allow for the purchase of equity shares in a condominium grain storage entity. Flexibility was provided to financing of equity shares in a processing business that is located outside of North Dakota if there is an overall economic benefit to the state. BND received a \$1.4 million appropriation for this program.

Invest: The borrower ownership limitation was changed from 10% to 25%. Also, an interest buydown feature was added for purchases of equity shares in a North Dakota feedlot or dairy operations that utilize byproducts of a ND ethanol or biodiesel facility.

Livestock Loan Guarantee: New legislation expanded and replaced the existing Feedlot Loan Guarantee Program. The changes allow BND to issue guarantees on loans made to a livestock feeding operation and to a new or expanding dairy operation for equipment purchases or construction of facilities.

Irrigation Loan Program: This program has been discontinued with the funds transferred to the Livestock Waste Management System Loan Program. The AG Pace program can continue to be used for eligible irrigation projects.

COMMERCIAL LOAN PROGRAMS:

Beginning Entrepreneur Loan Guarantee: Legislative changes were made to change the net worth definition and increase the total amount of loans that can be guaranteed from \$4 million to \$8 million.

PACE: This fund received an \$8 million appropriation with \$2 million earmarked for Flex PACE. Each community is limited to \$250,000 of Flex PACE funds with a borrower limitation of \$150,000.

Biofuels PACE: Legislation expanded and replaced Biodiesel PACE. There will be \$5 million in funds available for interest buy down on loans to biodiesel and ethanol facilities, livestock operations, biofuels retailers, and grain handling facilities. The grain handling facilities must be licensed in North Dakota and provide condominium storage of grain that is principally intended for biofuels production.

BND has also extended the Business and Farm Disaster Relief Loan Programs through September 30, 2007 to allow for time to assess damage caused by excess rainfall in ND.

For additional information on all of BND's Lending programs please visit our web site at www.banknd.nd.gov. If you have any questions, feel free to call Bob at 1-800-472-2166, extension 5703.

We appreciate your efforts and the opportunity to do business with you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eric Hardmeyer". The signature is fluid and cursive, with a large initial "E".

Eric Hardmeyer
President

Sincerely,

A handwritten signature in dark ink, appearing to read "Bob Humann". The signature is cursive and elegant, with a large initial "B".

Bob Humann
SVP of Lending